

CLARKSVILLE-MONTGOMERY COUNTY
REGIONAL AIRPORT AUTHORITY
AUDITED FINANCIAL STATEMENTS
AND OTHER INFORMATION
JUNE 30, 2011

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THURMAN CAMPBELL GROUP, PLC

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Commissioners
Clarksville-Montgomery County Regional Airport Authority
Clarksville, Tennessee

We have audited the accompanying financial statements of the Clarksville-Montgomery County Regional Airport Authority (Airport Authority) as of and for the year ended June 30, 2011 as listed in the table of contents. These financial statements are the responsibility of the Airport Authority's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and requirements proscribed by the Comptroller of the Treasury, State of Tennessee as detailed in the Audit Manual. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport Authority, as of June 30, 2011, and the respective changes in financial position, and cash flows, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2011, on our consideration of the Airport Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Airport Authority's financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Comptroller of the Treasury, State of Tennessee, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Thurman Campbell Group, PLC

Clarksville, TN
October 15, 2011

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2011

The following Management's Discussion and Analysis (MD&A) of the Clarksville-Montgomery County Regional Airport Authority's (Authority) financial performance provides an introduction to the financial statements for the year ended June 30, 2011. The information contained in this MD&A should be used in conjunction with the information contained in the Authority's financial statements for the period.

Background

In 1997 the Clarksville Airport Joint Committee (CAJC) approached the mayors of the City of Clarksville and Montgomery County with the idea of creating a regional airport authority. Subsequently, both municipalities passed resolutions authorizing the Clarksville-Montgomery County Regional Airport Authority (CMCRAA) and provided it with all the rights, privileges, and authority of the CAJC. The CMCRAA then petitioned the State of Tennessee and received its state charter.

In 1998, the Authority purchased a mobile home park adjacent to the airport; however, they decided to cease operations and decommission the park in the first quarter of the fiscal year ending June 30, 2010.

In 2011, the Authority started construction on a new Terminal and Business Center.

Overview of the Financial Statements

The Authority's financial statements are prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The fiscal year accounting period runs from July 1, 2010 to June 30, 2011.

Following this MD&A are the basic financial statements of the Authority together with the notes, which are essential to a full understanding of the data contained in the financial statements. The Authority's basic financial statements are designed to provide readers with a broad overview of the Authority's finances.

The Statement of Net Assets shows all assets of the Authority less liabilities. Buildings and properties are recorded at cost. Over time, increases or decreases in net assets will serve as a useful indicator of the Authority's financial position.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2011

The Airport Authority *Statements of Net Assets* are presented in Table 1. The Airport Authority's current assets increased from \$158,609 to \$1,177,192 and total liabilities increased from \$671,036 to \$967,940 in 2011.

Table 1				
Clarksville-Montgomery County Regional Airport Authority Condensed Statement of Net Assets June 30, 2011				
ASSETS	2011	2010	Dollar Change	Total Percent Change
Current Assets	\$ 1,177,192	\$ 158,609	\$ 1,018,583	642%
Restricted Assets	-	391,000	(391,000)	-100%
Capital Assets, net	<u>8,114,903</u>	<u>6,690,720</u>	<u>1,424,183</u>	<u>21%</u>
Total Assets	<u>\$ 9,292,095</u>	<u>\$ 7,240,329</u>	<u>\$ 2,051,766</u>	<u>28%</u>
LIABILITIES AND NET ASSETS				
Current Liabilities	\$ 431,282	\$ 70,984	\$ 360,298	508%
Long-term Liabilities	<u>536,658</u>	<u>600,052</u>	<u>(63,394)</u>	<u>-11%</u>
Total Liabilities	<u>967,940</u>	<u>671,036</u>	<u>296,904</u>	<u>44%</u>
Invested in Capital	7,994,015	6,528,807	1,465,208	22%
Restricted	-	391,000	(391,000)	-100%
Unrestricted	<u>330,140</u>	<u>(350,514)</u>	<u>680,654</u>	<u>-194%</u>
Total Net Assets	<u>8,324,155</u>	<u>6,569,293</u>	<u>1,754,862</u>	<u>27%</u>
Total Liabilities and Net Assets	<u>\$ 9,292,095</u>	<u>\$ 7,240,329</u>	<u>\$ 2,051,766</u>	<u>28%</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2011

The Statement of Revenues, Expenses, and Changes in Net Assets presents information showing how the Authority's net assets changed during the fiscal year.

Summaries of the Statements of Revenue, Expenses, and Changes in Net Assets for the Airport Authority are detailed below in Table 2. Revenue for the Airport Authority is generated from monthly building rental and monthly allocations from both the City of Clarksville and Montgomery County. As shown in Table 2, the Airport Authority had operating revenues in the amount of \$697,129 and operating expenses of \$764,322 in 2011.

Table 2				
Clarksville-Montgomery County Regional Airport Authority				
Condensed Statement of Revenues, Expenses				
And Changes in Net Assets				
June 30, 2010				
	2011	2010	Dollar Change	Total Percent Change
Operating Revenue	\$ 697,129	\$ 401,122	\$ 296,007	73.8%
Operating Expense	<u>764,322</u>	<u>670,908</u>	<u>93,414</u>	<u>13.9%</u>
Operating Income (Loss)	(67,193)	(269,786)	202,593	-75.1%
Nonoperating Income (Expense)	<u>(139,837)</u>	<u>(95,246)</u>	<u>(44,591)</u>	<u>46.8%</u>
Income (Loss) Befor Contributions	(207,030)	(365,032)	158,002	-43.3%
Contributions	<u>1,961,892</u>	<u>624,395</u>	<u>1,337,497</u>	<u>214.2%</u>
Change in Net Assets	1,754,862	259,363	1,495,499	576.6%
Net Assets - Beginning	<u>6,569,293</u>	<u>6,309,930</u>	<u>259,363</u>	<u>4.1%</u>
Net Assets - Ending	<u>\$ 8,324,155</u>	<u>\$ 6,569,293</u>	<u>\$ 1,754,862</u>	<u>26.7%</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2011

The Statement of Cash Flows relates to the flows of cash and cash equivalents. Consequently, only transactions that affect the Authority's cash accounts are recorded in this statement. A reconciliation is provided at the bottom of the Statement of Cash Flows to assist in the understanding of the difference between cash flows from operating activities and operating income.

Table 3		
Clarksville-Montgomery County Regional Airport Authority		
Condensed Statement of Cash Flows		
June 30, 2010 and 2009		
	2011	2010
Cash Flows from Operating Activities	\$ 201,897	\$ 113,026
Cash Flows from Noncapital Financing Activities	18,000	(31,728)
Cash Flows from Capital and Related Financing Activities	<u>(262,119)</u>	<u>306,417</u>
Net Increase (Decrease) in Cash and Cash Equivalents	\$ (42,222)	\$ 387,715
Cash and Cash Equivalents - Beginning	<u>\$ 525,969</u>	<u>\$ 138,254</u>
Cash and Cash Equivalents - Ending	<u><u>\$ 483,747</u></u>	<u><u>\$ 525,969</u></u>

The Notes To Financial Statements represent explanatory information to the various reports and specific details regarding additions and deletions from operations during the year. In addition, summary explanations are provided regarding various leases and notes payable of the Authority.

The Directory of Officials represents the members of the Clarksville-Montgomery County Regional Airport Authority as it existed as of June 30, 2011.

The Schedule of Expenditures of Federal and State Awards disclose various state and federal grants obtained during the year and their resulting account balances.

**CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)
JUNE 30, 2011**

Capital Assets and Debt Administration

At June 30, 2011, the Authority had \$8,114,903 net of related depreciation invested in capital assets. An Airport Improvement Project primarily funded by government grants has caused significant increases in the Authority's Buildings and Airport Facilities over the past three years.

Table 4				
Clarksville-Montgomery County Regional Airport Authority				
Capital Assets				
June 30, 2011 and 2010				
	2011	2010	Dollar Change	Total Percent Change
Buildings and Airport Facilities	\$ 9,795,555	\$ 9,824,536	\$ (28,981)	-0.3%
Vehicles and Equipment	253,561	195,161	58,400.00	29.9%
Land and Land Improvements	1,739,326	1,739,326	-	0.0%
Construction in Progress	1,450,439	-	1,450,439.00	100.0%
Less: Accumulated Depreciation	(5,123,978)	(5,068,303)	(55,675.00)	1.1%
Net Capital Assets	<u>\$ 8,114,903</u>	<u>\$ 6,690,720</u>	<u>\$ 1,424,183</u>	<u>21.3%</u>

Long-Term Debt

At June 30, 2011, the Authority had a note payable outstanding to the City with a balance of \$79,110 and a note payable outstanding to Legends Bank with a balance of \$41,778. The City of Clarksville has a debt forgiveness scheduled for July 2, 2011 for \$24,000 and the Authority pays \$1,645 a month to Legends Bank.

Contacting the Authority's Financial Management

This financial report is designed to provide our customers, investors and creditors with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have any questions about this report, or need additional information, contact the Authority's office at 200 Airport Road, Clarksville, Tennessee 37042.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

ASSETS

CURRENT ASSETS

Cash & Cash Equivalents	\$ 483,747
Accounts Receivable	4,049
Matching Funds on Deposit	345,665
Fuel Inventory	62,265
Grants Receivable	281,466
Total Current Assets	<u>1,177,192</u>

CAPITAL ASSETS

Buildings and Airport Facilities	9,795,555
Vehicles and Equipment	253,561
Land and Land Improvements	1,739,326
Construction In Progress	1,450,439
Total Capital Assets	<u>13,238,881</u>
Less: Accumulated Depreciation	(5,123,978)
Net Capital Assets	<u>8,114,903</u>

TOTAL ASSETS

\$ 9,292,095

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 361,512
Current Portion of Notes Payable	42,469
Accrued Payroll	5,874
Current Portion of Unearned Lease Revenue (Related Party)	21,427
Total Current Liabilities	<u>431,282</u>

LONG-TERM LIABILITIES

Unearned Lease Revenue - less Current Portion (Related Party)	458,239
Notes Payable - less Current Portion	78,419
Total Long-Term Liabilities	<u>536,658</u>
TOTAL LIABILITIES	<u>967,940</u>

NET ASSETS

Invested in Capital Assets, Net of Related Debt	7,994,015
Unrestricted Net Assets	330,140
TOTAL NET ASSETS	<u>8,324,155</u>

TOTAL LIABILITIES AND NET ASSETS

\$ 9,292,095

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2011

OPERATING REVENUES

City and County Funding	\$ 528,242
Lease Income:	
Terminal Facilities	30,037
Hangar Facilities, Net of Bad Debts	81,172
Fuel Flowage Fees	5,171
Farm Land	11,250
Miscellaneous	6,621
Other Airport Revenues	1,524
Fuel Sales - net (Jet Center)	33,112
Total Operating Revenues	<u>697,129</u>

OPERATING EXPENSES

Cleaning and Pest Control	27,861
Depreciation	337,848
Dues and Fees	1,899
Employee Benefits	10,316
Facilities Maintenance	38,962
Insurance	32,441
Miscellaneous	10,270
Office Supplies and Postage	13,636
Other Airport Services	11,997
Property Taxes	2,353
Payroll Taxes	14,051
Professional Fees	58,347
Salaries and Personnel Services	168,502
Utilities	35,839
Total Operating Expenses	<u>764,322</u>

OPERATING INCOME (LOSS)

(67,193)

NON-OPERATING REVENUES (EXPENSES)

Interest Expenses	(2,669)
Debt Forgiveness	24,000
Gain (Loss) on Disposal of Assets	(161,168)
Total Non-Operating Revenues (Expenses)	<u>(139,837)</u>

INCOME (LOSS) BEFORE CONTRIBUTIONS

(207,030)

Contributions:

State Grants	464,954
Local Grants	1,496,938
Total Contributions	<u>1,961,892</u>

CHANGE IN NET ASSETS

1,754,862

NET ASSETS - BEGINNING OF YEAR

6,569,293

NET ASSETS - END OF YEAR

\$ 8,324,155

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2011

CASH FLOWS FROM OPERATING ACTIVITIES

Cash Received from Customers and Governments	\$ 633,401
Cash Paid to Employees	(170,010)
Cash Paid to Suppliers	(261,494)
Net Cash Provided By (Used In) Operating Activities	<u>201,897</u>

CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES

State Operating Grants	18,000
Net Cash Provided By (Used In) Noncapital Financing Activities	<u>18,000</u>

CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES

State Capital Grants	59,996
Local Capital Grants	1,318,657
Cash Received for Sale of Assets	4,886
Payments on Long-Term Debt	(17,025)
Payments for Improvements	(1,625,964)
Interest on Capital Related Debt	(2,669)
Net Cash Provided By (Used In) Capital and Related Financing Activities	<u>(262,119)</u>

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(42,222)
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CASH AND CASH EQUIVALENTS - BEGINNING	<u>525,969</u>
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CASH AND CASH EQUIVALENTS - ENDING	<u><u>\$ 483,747</u></u>
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CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2011

**RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH
PROVIDED BY (USED IN) OPERATING ACTIVITIES**

Operating Income (Loss)	\$ (67,193)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	337,848
Changes in Current and Deferred Items:	
(Increase) Decrease in Accounts Receivables	(1,103)
(Increase) Decrease in Operating Grant Receivables	(41,198)
(Increase) Decrease in Inventory	(62,265)
Increase (Decrease) in Accounts Payable	58,743
Increase (Decrease) in Accrued Expenses	(1,508)
Increase (Decrease) in Unearned Lease Revenue	(21,427)
Net Cash Provided By (Used In) Operating Activities	<u>\$ 201,897</u>

SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES

Lease Transactions	
Hanger Lease Revenue from constructed buildings (Note 6)	\$ 21,427
Debt forgiveness	
Portion of Debt forgiven by City of Clarksville (Note 8)	<u>24,000</u>
Total Non-Cash Investing and Financing Activities	<u>\$ 45,427</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY

NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

The accounting and reporting policies of the Clarksville-Montgomery County Regional Airport Authority (Airport Authority) relating to the accounts in the accompanying financial statements conform to generally accepted accounting principles applicable to state and local governments in the United States of America.

The following significant accounting policies were applied in the preparation of the accompanying financial statements:

A. Reporting Entity

The Airport Authority, a joint venture of Montgomery County and the City of Clarksville, provides airport facilities to the Clarksville-Montgomery County area. The Clarksville City Council and the Montgomery County Commission each appoint two of the five members of the Airport Authority's governing board. All real properties of the Airport Authority are deeded to the Clarksville-Montgomery County Regional Airport Authority. These financial statements include only the assets, liabilities, operations and cash flows of the Airport Authority, and do not include any other fund, organization, agency or department of Montgomery County or the City of Clarksville. The Airport Authority applies all Governmental Accounting Standard Board (GASB) and Financial Accounting Standards Board (FASB) pronouncements issued on or before November, 30, 1989, unless those pronouncements conflict with GASB pronouncements. In addition, the Airport Authority applies all applicable FASB Statements and Interpretations issued after November 30, 1989, except those that conflict with or contradict GASB pronouncements.

B. Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied. Airport Authority operations are accounted for on an economic resources measurement focus using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when the related liabilities are incurred.

C. Funding

The major sources of revenue are lease of facilities, operation subsidies, and grants as listed below:

(1) Lease of Facilities

The Airport Authority leases the airport facilities primarily to two other corporations. These leases are discussed further in Note 6.

(2) Operations Subsidies

The Airport Authority receives monthly funding for operating expenses from the City of Clarksville and Montgomery County, Tennessee.

(3) Grants

The Airport Authority receives federal, state, and local grants for maintenance of the airport, improvements and expansion projects.

The future operations of the Airport Authority may be significantly impacted if a major reduction of funds by these supporting organizations should occur.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies (Continued)

D. Capital Assets and Depreciation

Capital expenditures for airport equipment, vehicles, buildings and facilities are recorded at cost of acquisition. Some airport buildings have been constructed by the lessees in exchange for renewable leases of the buildings. These buildings have been recorded at the estimated construction cost of the lessee. Depreciation of buildings is recorded on a straight-line basis over an estimated life of 30-40 years. Airport runways, taxiways and aprons are depreciated on a straight-line basis over an estimated life of 12 or 20 years. A fire truck, airport lighting and fencing are depreciated on a straight-line basis over 15 or 20 years. Many renovation projects to the airport facilities have occurred over the past 40 years. At the time of the renovations, any remaining undepreciated cost of the facility was added to the renovation cost and a new estimated life assigned for future depreciation calculations. All assets with an initial, individual cost of more than \$500 and an estimated useful life in excess of two years are capitalized. Depreciation is calculated after allowing for 10% salvage value for most assets. Minor repairs and maintenance costs are charged to expense.

E. Cash and Cash Equivalents

Cash and cash equivalents include all cash in bank accounts and on hand. The Airport Authority considers all highly-liquid debt instruments purchased with maturities of 90 days or less to be cash equivalents. When an expense is incurred for which both restricted and unrestricted resources are available, the Airport Authority first applies restricted resources to these expenses.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

G. Operating Revenues and Expenses

Operating revenues and expenses of the Airport Authority are those that result from providing services and producing and delivering goods and/or services. It also includes all revenue and expenses not related to capital and related financing, noncapital financing, or investing activities.

H. Concentrations of Credit Risk

Financial instruments that potentially subject the Airport Authority to significant concentrations of credit risk consist principally of cash and accounts receivable. The Airport Authority is exposed to concentration of credit risk by placing its deposits in financial institutions. The Airport Authority has mitigated this risk because the bank balance in excess of the FDIC limit is collateralized by the State of Tennessee bank collateral pool. With respect to accounts receivable, credit risk is dispersed across a small number of businesses and individuals which are geographically concentrated in Montgomery County and no collateral is required.

2. Cash and Cash Equivalents

The Airport Authority maintains checking and liquid investment accounts for the Airport Authority. Credit risk is managed by restricting cash and cash equivalents to deposits with federally insured institutions which must be approved by the board of commissioners. Investments and other deposits are restricted by state law to deposits with financial institutions and certain obligations guaranteed by the United States government.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

2. Cash and Cash Equivalents (Cont'd)

At June 30, 2011, cash and cash equivalents included bank balances of \$426,092, which does not include any deposits in transit or outstanding checks. All of the Authority's cash and cash equivalents were insured by the FDIC or the State of Tennessee Collateral Pool. Both cash and cash equivalents are carried at cost which approximated fair value at June 30, 2011.

3. Receivables

Receivables for the Airport Authority consist primarily of amounts due from the Tennessee Department of Transportation for completed grant contracts. Bad debts are recorded by the direct write-off method and reported as a reduction of the related revenue account in the year losses are recognized.

Following is a schedule of receivables at June 30, 2011:

<u>Accounts Receivable</u>	
Rental	<u>\$ 4,049</u>
<u>Grants Receivable</u>	
Montgomery County, TN	\$ 162,855
Tennessee Department of Transportation	79,717
City of Clarksville, TN	<u>38,894</u>
Total Grants Receivable	<u>\$ 281,466</u>

4. Inventory

The inventory consist of jet fuel. The jet fuel inventory is accounted for at the lower of cost of market using the moving average cost method.

5. Capital Assets

Depreciation expense for the year totaled \$337,848. Fuel farm equipment with a carrying value of \$166,482 was pledged as collateral for debt at June 30, 2011. Land and land improvements and construction in progress are not depreciated or amortized. No capital assets were idle or considered to be impaired.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

5. Capital Assets (Cont'd)

A summary of changes in capital assets and accumulated depreciation follows:

	<u>Balance</u> <u>6/30/10</u>	<u>New</u> <u>Additions</u>	<u>Disposals</u> <u>and Transfers</u>	<u>Balance</u> <u>6/30/11</u>
Capital Assets Not Depreciated:				
Airport Land	\$ 1,739,326	\$ -	\$ -	\$ 1,739,326
Construction in Progress	<u>-</u>	<u>1,450,439</u>	<u>-</u>	<u>1,450,439</u>
Total Capital Assets Not Depreciated	<u>1,739,326</u>	<u>1,450,439</u>	<u>-</u>	<u>3,189,765</u>
Capital Assets Depreciated:				
Buildings and Airport Facilities	9,824,536	414,469	443,450	9,795,555
Vehicles and Equipment	<u>195,161</u>	<u>63,176</u>	<u>4,776</u>	<u>253,561</u>
Total Capital Assets Depreciated	<u>10,019,697</u>	<u>477,645</u>	<u>448,226</u>	<u>10,049,116</u>
Total Capital Assets	<u>11,759,023</u>	<u>1,928,084</u>	<u>448,226</u>	<u>13,238,881</u>
Accumulated Depreciation:				
Buildings and Airport Facilities	4,973,525	306,437	279,236	5,000,726
Vehicles and Equipment	<u>94,778</u>	<u>31,411</u>	<u>2,937</u>	<u>123,252</u>
Total Accumulated Depreciation	<u>5,068,303</u>	<u>\$ 337,848</u>	<u>\$ 282,173</u>	<u>5,123,978</u>
Total Airport Assets, Net of Depreciation	<u>\$ 6,690,720</u>			<u>\$ 8,114,903</u>

6. Lease Contracts

The Clarksville-Montgomery County Regional Airport Authority has entered into various lease contracts for the operation and maintenance of the airport facility as follows:

- A. On February 11, 2011, the Airport Authority entered a fixed base operator lease contract with Aircraft Maintenance Inc. for use of the hangar facilities, office space, and unimproved land of the airport. The Lessee has constructed two buildings on the land, one with an estimated cost of \$60,000 and the other \$40,000. The annual rent at June 30, 2011, was \$18,900, or \$3,871 per month. This lease expires on February 10, 2016, with one option to extend the lease for five years. Land with improvements will be surrendered to the Airport Authority at termination of the contract.
- B. Effective July 1, 2011 the Airport Authority entered into a lease contract with Gilliam Farms for maintaining 90 acres of real estate adjoining the Airport. The rent for tract #1 is \$9,375 per year and for tract #2 is \$1,875 per year. The term of this lease expires December 31, 2011.
- C. Effective January 26, 2011, the Airport Authority entered into a lease contract with Bi-County Solid Waste Management System for use of airport property for the location of a convenience drop station for waste. The rent is \$200 per month. The term of this lease is month to month.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

6. Lease Contracts (Cont'd)

- D. Effective September 20, 2006, the Airport Authority entered into a lease contract with Dr. Ronald Whitford for certain unimproved land on the airport. The Lessee pays an annual rent of \$1,050 and has constructed a building on the land with an estimated cost of \$140,000. The term of the contract is for 18 years, and the contract is subject to renewal for two additional periods of five years and seven years. Land with improvements will be surrendered to the Airport Authority at termination of the contract.
- E. Effective May 28, 2008, the Airport Authority entered into a lease contract with CAMB, LLC, for certain unimproved land on the airport. The Lessee pays an annual rent of \$2,280, subject to changes in inflation every five years, and has constructed a building on the land with an estimated cost of \$400,000. The term of the contract is for 35 years after the occupancy date, ending on March 31, 2044, and the contract is subject to renewal for an additional period of five years. Land with improvements will be surrendered to the Airport Authority at termination of the contract.
- F. Effective September 1, 2008, the Airport Authority began leasing hangars on a newly-constructed 10-unit hangar. All lease contracts are on a month-to-month basis for \$235 per month. As of June 30, 2011, there were nine current tenants.
- G. Effective March 1, 2011, the Airport Authority began leasing the hangers transferred from Robert O. Wyatt. All lease contracts are on a month-to-month basis for \$165 per month. As of June 30, 2011, there were ten tenants.

The future cash flows from all lease contracts are expected to be as follows:

Year Ending June 30,	
2012	\$ 62,232
2013	55,407
2014	49,782
2015	49,782
2016	49,782
2017 and Beyond	<u>73,363</u>
Total	<u>\$ 340,348</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

7. Unearned Revenue

Unearned revenues represent future lease payments whereby the lessee has constructed a building for the Airport Authority in exchange for future use as explained under Lease Contracts in Note 6. Changes in unearned revenue for the current year were as follows:

Leases described in Note 6:	Beginning Balance	Revenue Recognized	Ending Balance
Robert O. Wyatt	\$ 2,965	\$ 2,222	\$ 743
Dr. Ronald E. Whitford	102,416	7,776	94,640
CAMB, LLC	374,285	11,429	362,856
	<u>\$ 479,666</u>	<u>\$ 21,427</u>	<u>458,239</u>
Less: portion to be recognized as lease income next year			<u>21,427</u>
Long-term unearned lease revenue			<u>\$ 436,812</u>

8. Notes Payable

On September 22, 1998, the Airport Authority borrowed a total of \$800,000 from the City of Clarksville for the purchase of the mobile home park. One note for \$80,000 bears an interest rate equal to the rate paid by the Tennessee Local Government Investment Pool and matured on September 22, 1999. The other note for \$720,000 bears no interest and was due December 22, 1998. This note anticipated 90% state funding for purchase of the mobile home park. However, the grant from the State of Tennessee totaled only \$522,218 and when paid to the City of Clarksville on June 29, 1999, left a note balance of \$197,782. The two notes were a combined liability of \$277,782. During 2003, the City retained appropriations in the amount of \$33,333 as payment of principal and interest due on the combined notes. In a resolution dated July 20, 2005, the Airport Authority resolved to repay this debt to the City in increments of \$20,000 - \$24,000 per year. The balance remaining on the note at June 30, 2011 was \$79,110. This balance is being reduced by principal forgiveness and is scheduled for a reduction of principal on July 2, 2012 in the amount of \$24,000.

On September 5, 2003, a note with Legends Bank in the amount of \$150,000 secured by fuel farm equipment was executed for a term of 60 months with an interest rate of 5.25% and payments of \$1,617 per month. On September 15, 2008, this note was refinanced for a term of 60 months with an interest rate of 5.25% and payments of \$1,645. The balance at June 30, 2011 was \$41,778.

	Beginning Balance	Increases	Decreases	Ending Balance	Estimated Amount Due June 30, 2012
City of Clarksville	\$ 103,110	\$ -	\$ 24,000	\$ 79,110	\$ 24,000
Legends Bank	58,803	-	17,025	41,778	18,469
Total Notes Payable	<u>\$ 161,913</u>	<u>\$ -</u>	<u>\$ 41,025</u>	<u>120,888</u>	<u>\$ 42,469</u>

Cash payments for interest totaled \$2,669 during the year ended June 30, 2011.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

8. Notes Payable (Cont'd)

Following is the debt maturity schedule:

Due through <u>June 30,</u>	Principal <u>Payments</u>	Remaining <u>Principal</u>	Interest <u>Payments</u>
2012	\$ 42,469	\$ 78,419	\$ 1,727
2013	43,462	34,957	733
2014	27,344	7,613	22
2015	<u>7,613</u>	-	<u>-</u>
Total	120,888		<u>\$ 2,482</u>
Current Portion	<u>42,469</u>		
Long-term Portion	<u>\$ 78,419</u>		

9. Compensated Absences

All vacation and sick time must be taken by December 31 in the year it accrues or it will be lost.

10. Contributed Capital

Many of the capital construction or acquisition projects of the Airport Authority were funded substantially by government grants. Contributed capital has been estimated for some of these prior-year amounts.

11. Related Party Transactions

Dr. Ronald Whitford was appointed to the Airport Authority's board of commissioners in July 2007, and was subsequently elected its chairman. He also leases land from the Airport Authority pursuant to an agreement dated September 20, 2006 (see Note 6).

Mr. Charles Hand and Mr. Gary Mathews were appointed to the Airport Authority's board of commissioners in July 2007. Those individuals are members of CAMB, LLC, which leases land from the Airport Authority pursuant to an agreement dated May 28, 2008 (see Note 6).

12. Contingencies

The Airport Authority's exposure to property loss and general liability is handled through the purchase of commercial insurance. Insurance coverage was adequate to cover settlements for the past three fiscal years.

A portion of the real estate occupied by the former mobile home park was purchased using government funding. If sold, reimbursement to certain grantor agencies will be required unless the income is reinvested in the Airport Authority.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

13. Subsequent Events

Subsequent events have been evaluated through October 15, 2011, which is the date the financial statements were available to be issued.

14. Theft

The State of Tennessee authorized an investigation into alleged theft that occurred during the fiscal year ending June 30, 2010 and prior years. Results of the investigation are still pending as of June 30, 2011.

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
DIRECTORY OF OFFICIALS (UNAUDITED)
JUNE 30, 2011

Board of Commissioners

Dr. Ronald Whitford	Chairman
Jerry Clark	Vice-Chairman
James Halford	Secretary/Treasurer
Gary Mathews	Authority Member
Charles Hand	Authority Member

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

Federal Grantor/Program Title	Tennessee Aeronautics Division Project Number	Grant Number Or Pass Through Grantor's Contract Number	Federal CFDA Number	Accrued Receivable July 1, 2010	Receipts	Expenditures	Accrued Receivable June 30, 2011
<u>Tennessee Department of Transportation</u>							
Passed Through State of Tennessee Department of Transportation							
Maintenance	99-555-1186-04	Z-09-21-3364-00		\$ 10,000	\$ 18,000	\$ 8,000	\$ -
Airfield Crack Repair	63-555-0731-04	Z-08-20-0676-00	20.106	-	136,662	164,946	28,284
Terminal Construction	63-555-0436-04	AERO-10-137-00	20.106	-	85,588	137,021	51,433
Security Extension	63-555-0730-04	AERO-10-162-00	20.106	-	21,022	21,022	-
Drainage Extension	63-555-0732-04	Z-08-20-0677-00	20.106	-	59,209	59,209	-
Vision Grant	63-555-0436-04	AERO-10-137-00	20.106	-	83,911	83,911	-
Total				<u>\$ 10,000</u>	<u>\$ 404,391</u>	<u>\$ 474,109</u>	<u>\$ 79,717</u>

CLARKSVILLE-MONTGOMERY COUNTY REGIONAL AIRPORT AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2011

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards and state financial assistance summarizes the expenditures under the programs of the federal and state governments for the year ended June 30, 2011. The schedule is presented using the accrual basis of accounting.

2. Differences

Differences may occur due to the reporting of only the amounts from the federal agency/TDOT. Most projects require the Airport to send TDOT the 10%, 20%, or 50% matching portion prior to the beginning of the project and TDOT remits the full amounts of the invoices back to the Airport. Therefore, most reimbursements comprise a portion of the funds from TDOT and the remainder simply being a return of Airport funds previously sent to TDOT prior to the beginning of the project.



THURMAN CAMPBELL GROUP, PLC
CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Board of Commissioners
Clarksville-Montgomery County Regional Airport Authority
Clarksville, Tennessee

We have audited the financial statements of the Clarksville-Montgomery County Regional Airport Authority (Airport Authority) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 15, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and requirements prescribed by the Comptroller of the Treasury, State of Tennessee.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Airport Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Airport Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Airport Authority's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weakness, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Airport Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, Board of Commissioners, the Montgomery County Commission, the Clarksville City Council, and the State of Tennessee and is not intended to be and should not be used by anyone other than these specified parties.

Thurman Campbell Group, PLC

Clarksville, TN
October 15, 2011